

HARNESSFLEX LIMITED
(COMPANY NUMBER 2130654)

REPORT AND FINANCIAL STATEMENTS
For the period of 52 weeks ended 1 August 1998



DIRECTORS' REPORT FOR THE PERIOD ENDED 1 AUGUST 1998

The directors present their report and the financial statements of the company for the period of 52 weeks ended 1 August 1998.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is the distribution of components into the automotive industry.

The company acts as an unremunerated agent for Smiths Industries Industrial Group (SIIG), in whose accounts the results of these activities are reflected.

RESULTS AND DIVIDENDS

The company has not traded on its own account during the period ended 1 August 1998. The directors do not recommend the payment of a dividend (1997 - £Nil).

FUTURE DEVELOPMENTS

Work is continually being carried out on the development and modification of existing products to meet customers' requirements and to take advantage of new technology as it becomes available.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the period were:

PA Hayes
S Laraway

Neither of the directors held shares in Smith Industries plc during the period.

Options have been granted over the number of ordinary shares of Smiths Industries plc, in the amounts shown below, under the terms of the Smiths Industries plc 1982 SAYE Share Option Scheme.

	<u>2 August 1997</u>	<u>Granted</u>	<u>Exercised</u>	<u>1 August 1998</u>
PA Hayes	3,051	-	-	3,051
S Laraway	7,875	5,139	-	13,014

Details of option exercise prices and dates are contained in the Report and Accounts of Smiths Industries PLC.

AUDITORS

Following the merger of Price Waterhouse and Coopers & Lybrand, Price Waterhouse resigned as auditor and the directors appointed the merged firm PricewaterhouseCoopers as auditor to fill the casual vacancy. PricewaterhouseCoopers will remain as auditors by virtue of an elective resolution under section 386 of the Companies Act 1985 passed on 22ND June 1998.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgement and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board on 13 October 1998

Registered office

765 Finchley Road
London
NW11 8DS



A Smith
Secretary

AUDITORS' REPORT TO THE MEMBERS OF HARNESSFLEX LIMITED

We have audited the financial statements on pages 4 and 5 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

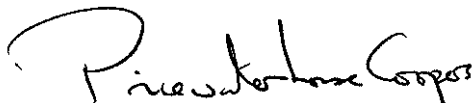
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 1 August 1998 and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS
Chartered Accountants
and Registered Auditor

13 October 1998

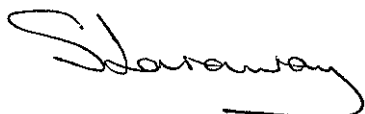
HARNESSFLEX LIMITED

BALANCE SHEET - 1 AUGUST 1998

	<u>Notes</u>	<u>1 August 1998</u> £	<u>2 August 1997</u> £
FIXED ASSETS			
Loan to fellow subsidiary company	2	755,442	755,442
NET ASSETS		<u>755,442</u>	<u>755,442</u>
CAPITAL AND RESERVES			
Equity share capital	3	50,000	50,000
Profit and loss account		<u>705,442</u>	<u>705,442</u>
TOTAL SHAREHOLDERS' FUNDS		<u>755,442</u>	<u>755,442</u>

The notes on page 5 form part of these financial statements.

Approved by the Board on 13 October 1998



S. Laraway
Director

HARNESSFLEX LIMITED

NOTES TO THE ACCOUNTS – PERIOD TO 1 AUGUST 1998

1 ACCOUNTING POLICIES

Basis of Accounting

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

2 LOAN TO FELLOW SUBSIDIARY COMPANY

	1 August 1998 £	2 August 1997 £
Amounts loaned to fellow subsidiary company	755,442	755,442

Amounts loaned to a fellow subsidiary company bear no interest and there are no fixed repayment terms on these amounts.

3 SHARE CAPITAL

	1 August 1998 and 2 August 1997	
	Number of shares	£
Authorised Ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid Ordinary shares of £1 each	50,000	50,000

4 PARENT COMPANY

The company's parent company is Adaptaflex Limited and its ultimate parent undertaking is Smiths Industries plc, both registered in England and Wales. Copies of the accounts of Smiths Industries plc are available from the Company Secretary, Smiths Industries plc, 765 Finchley Road, London NW11 8DS.